

# CPP ANNUAL USE OF CAPITAL SURVEY - 2011



NAME OF INSTITUTION

(Include Holding Company Where Applicable)

Private Bancorporation, Inc. (Holding Company) / Private Bank Minnesota (Subsidiary Bank)

Point of Contact:	Donald M. Davies	RSSD: (For Bank Holding Companies)	2361880
UST Sequence Number:	726	Docket Number: (For Thrift Holding Companies)	
CPP/CDCI Funds Received:	8,222,000	FDIC Certificate Number: (For Depository Institutions)	34144
CPP/CDCI Funds Repaid to Date:		Credit Union Charter Number: (For Credit Unions)	
Date Funded (first funding):	February 27, 2009	City:	Minneapolis
Date Repaid <sup>1</sup> :	No Repayment	State:	Minnesota

<sup>1</sup>If repayment was incremental, please enter the most recent repayment date.

American taxpayers are quite interested in knowing how banks have used the money that Treasury has invested under the Capital Purchase Program (CPP) and Community Development Capital Initiative (CDCI). To answer that question, Treasury is seeking responses that describe generally how the CPP/CDCI investment has affected the operation of your business. We understand that once received, the cash associated with TARP funding is indistinguishable from other cash sources, unless the funds were segregated, and therefore it may not be feasible to identify precisely how the CPP/CDCI investment was deployed or how many CPP/CDCI dollars were allocated to each use. Nevertheless, we ask you to provide as much information as you can about how you have used the capital Treasury has provided, and how your uses of that capital have changed over time. Treasury will be pairing this survey with a summary of certain balance sheet and other financial data from your institution's regulatory filings, so to the extent you find it helpful to do so, please feel free to refer to your institution's quarterly call reports to illustrate your answers. This is your opportunity to speak to the taxpayers in your own words, which will be posted on our website.

**What specific ways did your institution utilize CPP/CDCI capital? Check all that apply and elaborate as appropriate, especially if the uses have shifted over time. Your responses should reflect actions taken over the past year (or for the portion of the year in which CPP/CDCI funds were outstanding).**

☒ **Increase lending or reduce lending less than otherwise would have occurred.**

In 2011, the Bank booked loan commitments totaling \$22.5 million, of which \$13.5 million was advanced in the month booked. Unfortunately, clients went through a period of deleveraging - \$16.4 million in pay-offs or charged-offs during the year and \$15.6 million in LOC net reductions.

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☐ To the extent the funds supported increased lending, please describe the major type of loans, if possible (residential mortgage loans, commercial mortgage loans, small business loans, etc.).

☒ **Increase securities purchased (ABS, MBS, etc.).**

\$6.1 million in MBS securities were purchased by the Bank in 2011 to comply with regulatory recommendations. No recipient activity.

☐ **Make other investments.**

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**X Increase reserves for non-performing assets.**

The Bank's loan loss provision for the year was \$2.0 million.

**X Reduce borrowings.**

No change in recipient's borrowing.

**X Increase charge-offs.**

The Bank's net charge-offs for the year totaled \$\$2.3 million.

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☐ Purchase another financial institution or purchase assets from another financial institution.

☐ Held as non-leveraged increase to total capital.

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### What actions were you able to avoid because of the capital infusion of CPP/CDCI funds?

The capital infusions to the Bank from the holding company in 2009 along with the shrinking of the Bank in the past two years has provided a capital cushion that was able to withstand the significant charge-offs in 2010 and 2011 and still remain well-capitalized with a total risk based capital ratio of 12.04% at 12/31/2011.

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**What actions were you able to take that you may not have taken without the capital infusion of CPP/CDCI funds?**

Avoid significant proactive downsizing of Bank assets and staff.

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**Please describe any other actions that you were able to undertake with the capital infusion of CPP/CDCI funds.**

Enhance and strengthen the Bank's credit administration functions to prepare the Bank for future loan growth.